

Service Date: June 24, 1982

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER of the Application of) UTILITY DIVISION
the mown of Troy to Increase Water) DOCKET NO. 81.12.113
Rates.) ORDER NO. 4912

APPEARANCES

FOR THE APPLICANT:

Rebecca Caldwell, Town Clerk, Town of Troy, Troy,
Montana 59935.

FOR THE INTERVENORS:

Frank Buckley, Rate Analyst, Montana Consumer Counsel,
34 West Sixth Avenue, Helena, MT 59620.

FOR THE COMMISSION;

Robert Nelson, Staff Attorney, 1227 11th Avenue, Helena,
Montana 59620.

BEFORE:

HOWARD L. ELLIS Commissioner and Hearing Examiner
The Hearing Examiner, having taken evidence and being fully
advised in the premises, makes the following Findings of
Fact, Conclusions of Law. and Order.

FINDINGS OF FACT

1. On December 18, 1981, the Town of Troy (Applicant or
Town) filed an application for authority to increase water
rates resulting in an annual revenue increase of
approximately \$13, 500.

2. On March 2, 1982, pursuant to Notice of Public
Hearing, a hearing was held in the Senior Citizens Center,
Troy, Montana. The purpose of the public hearing was to

consider the merits of the Applicant's proposed water rate adjustments and rate design.

3. At the public hearing the Applicant presented the following witnesses:

Steve Quail, Engineer, HKM Associates, Billings, MT.

Gary Bishop, Engineer, HKM Associates, Libby, MT.

Rebecca Caldwell, Town Clerk, Troy, MT.

These witnesses testified relative to the allocation of the Town's salary expense to the Water Department, increases experienced in operation and maintenance expense and appropriate rate structure.

4. The Montana Consumer Counsel presented the testimony of public witnesses. Jim Winslow, a local subscriber on the Town water system, stated that he favored the proposed rate increase. Richard Hill, Superintendent of Schools for the Troy school district, stated that, although he thought an increase in revenues to the Water Department was needed, he was concerned about the proportion of the increase the school would bear. Mr. Hill stated that the school currently pays \$78.00 a month and that the proposed rates tripled the amount the school system would have to pay.

5. The Applicant used a test year that was the average of expected expenses for fiscal years 1982, 1983 and 1984. The Commission finds that this test year is reasonable.

6. The City Council of Troy has decided that 70 percent of the salaries of three persons should be allocated to the Water Department. This would increase salaries expense from \$17,547 in Fiscal Year 1981 to \$27,063 in Fiscal Year 1982.

The Commission finds that this allocation is reasonable.

7. The Applicant's exhibits show that, with the exception of salaries expense, Fiscal Year 1982 budgeted expenditures approximate Fiscal Year 1981 expenditure levels. Maintenance and equipment expense is budgeted at \$159 for Fiscal Year 1982. In Fiscal Year 1981 maintenance and equipment expense was \$1,275. Since the \$759 seemed low, Mr. Quail estimated the Fiscal Year 1982 maintenance and equipment expense to be \$1,500. With that exception, all other expenses are increased at 10 percent per year to keep up with current economic trends. The Commission finds the above reasonable and accepts the expense figures in Table 3 of the application which total \$36,930 for the total test year.

8. The Applicant has requested that the Commission grant revenues to continue a fund for recurring capital improvements that cannot be budgeted but are needed to insure an adequate potable water supply to the Town. The Applicant requests that revenues for this fund be set at 10 percent of total expenses plus additions to the fund. The Commission recognizes the need for this type of fund and grants the Applicant's request. This adds a revenue requirement of \$4,100 annually.

9. Based upon Findings of Fact 6, 7 and 8, the Commission finds that the Applicant has an annual revenue need of \$41,030 and that this revenue level is reasonable and just.

10. The Troy water system is a non-metered system. Therefore, consumption by various customer classes was estimated, as were the typical impact peak factors. The

Applicant proposes assigning a 1.0 peak factor to commercial users and a 3.0 peak factor to all other customer classes. The Applicant stated that the peaking factors utilized were derived from the typical peak day demands of the various customer classes. These peak day demands were in turn derived from published surveys and experience with communities similar in size to the Town of Troy. The Commission has extensive knowledge of water utilities similar in size to the Town of Troy's, and it has never encountered a customer classification (commercial) that has a perfectly flat level of demand overtime. By definition, peak day demand is a demand that is in excess of average day demand; common sense dictates that there would necessarily have to exist a one day demand that would exceed the average. It is the Commission's pas, experience with water utilities that the peak day demand for the commercial classification has produced a peaking factor of 1.5 to 2.2. Absent substantial evidence supporting the 1.0 peaking factor, the Commission is compelled to adjust the peaking factor for the commercial class. Based on past experience, the Commission finds 2.0 appropriate.

The Applicant also proposed that the school system should be assigned a peaking factor of 3 0. Again, the Commission chooses to substitute its past experience and knowledge of peak day demand and reduce the peaking factor to 2.0. The residential, Laundromat and car wash peaking factors are consistent with past Commission experience, and are therefore accepted.

11. The Town of Troy has 60 fire hydrants. During the course of the hearing it was brought to the Commission's attention that there is no charge for these hydrants in the proposed tariffs. There are costs associated with the water utility providing fire protection to the Town of Troy.

Therefore, it is appropriate that an assessment be made against the hydrants to reflect this expense. There was no evidence presented relative to the cost of providing fire protection, but the Commission finds it appropriate to set a rate of \$3.00 per month per hydrant given the fact that the present rate, which was established in 1958. is \$1.00 per month Per hydrant.

12. At the close of the hearing, all parties agreed on the record that the Commission need not issue a Proposed Order. A Final Order may, therefore, be issued in this Docket.

CONCLUSIONS OF LAW

1. The Montana Public Service Commission properly exercises jurisdiction over the parties and subject matter in this Docket, (MCA 69-3-101, 69-3-302).

2. The Commission afforded all interested persons proper notice of these proceedings, (MCA 2-4-601).

3. The Commission has determined that all rates approved herein are reasonable and just, (MCA 69-3-201).

ORDER

NOW THEREFORE, at a session of the Public Service Commission, Department of Public Service Regulation of the State of Montana, held in its offices at 1227 11th Avenue, Helena, Montana, on the 21st day of June, 1982, there being present a quorum of commissioners, there came regularly before the Commission for final action the matters and things in Docket No. 81.12.113, and the Commission being fully advised in the

premises;

IT IS ORDERED by the Commission that the revenues requested by the Town of Troy are hereby GRANTED in full, effective July 1, 1982. DOCKET NO. 82.12.113, ORDER NO. 4912 7

IT IS FURTHER ORDERED that the Town of Troy file tariffs consistent with Findings of Fact Nos. 10 and 11.

IT IS FURTHER ORDERED that a full, true and correct copy of this order be sent forthwith by first class United States mail to all appearances herein.

THE FOREGOING ORDER was adopted by the Department of Public Service Regulation of the State of Montana, Public Service Commission, IN OPEN SESSION at Helena, Montana, this 21st day of June, 1982, by a vote of 4 - 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

HOWARD L. ELLIS, Commissioner

JOHN B. DRISCOLL, Commissioner

THOMAS J. SCHNEIDER, Commissioner

CLYDE JARVIS, Commissioner

ATTEST:

Madeline L. Cottrill
Commission Secretary

(SEAL)

NOTE: You may be entitled to judicial review of the final

decision in this matter. If no Motion for Reconsideration is filed, judicial review may be obtained by filing a petition for review within thirty (30) days from the service of this order. If a Motion for Re consideration is filed, a Commission order is final for purpose of appeal upon the entry of a ruling on that motion, or upon the passage of ten (10) days following the filing of that motion. cf. the Montana Administrative Procedure Act, esp. Sec. 2-4-702, MCA; and Commission Rules of Practice and Procedure, esp. 38.2.4806 ARM.